

March 2004



North Dakota REV-E-NEWS

From Pam Sharp, Director Office of Management and Budget 600 E. Blvd. Ave. , Dept 110 - Bismarck, ND 58505-0400

Economic Growth and Stability -- Those were key messages from a recent *Economy.com* report on the North Dakota economy (*Source: February 2004 U.S. State Précis*). Noted strengths include:

- Location – North Dakota's location makes it one of the primary U.S. -Canada trade corridors.
- Job growth – North Dakota's economy has produced stable job growth and that job growth is projected to continue into the future.
- Agriculture – North Dakota is a major producer of several key agricultural commodities. Strong export demand has kept prices at or above historical highs, resulting in a surge in farm income.

The report called North Dakota's labor market "decidedly positive." Total employment in the state is projected to increase from approximately 330,000 in 2002 to nearly 350,000 by 2007. Unemployment is anticipated to

continue its downward trend from 4 percent in 2002 to 3.1 percent by 2006.

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To quote from the report:
"Economic growth will remain steady for ND. ... North Dakota's economy will continue outperforming the nation through the end of 2004."

State revenues in February reflected the economic growth referred to in *Economy.com*'s report. Revenues for the month exceeded projections by over 10 percent. Biennium to date revenues exceed projections by over \$13 million, or 2.5 percent, excluding the impact of the \$50 million in federal fiscal relief payments received by the state.

Oil Activity

January oil production of 79,187 was down slightly from December's production of 80,527. Price continues to move higher. Average prices have increased from approximately \$27 in December to \$29 in January. Current prices are around \$32 per barrel.

The increase in price appears to be contributing to increased drilling activity. Recent discoveries in Burke, Divide, and McKenzie counties have also contributed to increased drilling. The rig count is up to 14, compared to 10 one year ago; drilling permits have increased from 5 in December to 14 in January.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2003-05 BIENNIUM
February 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 Forecast	Actual	Variance	Percent	March 2003 Forecast	Actual	Variance	Percent
Sales Tax	29,975,000	28,787,426	(1,187,574)	-4.0%	223,080,000	231,194,828	8,114,828	3.6%
Motor Vehicle Excise Tax	4,487,000	4,247,873	(239,127)	-5.3%	41,459,000	41,375,806	(83,194)	-0.2%
Individual Income Tax	15,253,000	18,550,789	3,297,789	21.6%	130,974,000	131,356,498	382,498	0.3%
Corporate Income Tax	1,893,000	3,577,748	1,684,748	89.0%	15,116,000	14,252,515	(863,485)	-5.7%
Insurance Premium Tax	2,650,000	5,390,397	2,740,397	103.4%	11,812,000	14,712,183	2,900,183	24.6%
Financial Institutions Tax	81,000	285,522	204,522	252.5%	161,000	(148,314)	(309,314)	-192.1%
Oil & Gas Production Tax	1,778,000	1,879,217	101,217	5.7%	15,128,000	15,706,107	578,107	3.8%
Gaming Tax	2,000,000	1,406,341	(593,659)	-29.7%	8,800,000	8,347,900	(452,100)	-5.1%
Interest Income	371,000	56,510	(314,490)	-84.8%	2,818,000	581,809	(2,236,191)	-79.4%
Oil Extraction Tax	1,206,000	866,473	(339,527)	-28.2%	10,255,000	9,122,699	(1,132,301)	-11.0%
Cigarette & Tobacco Tax	1,512,000	1,786,593	274,593	18.2%	12,744,000	13,729,435	985,435	7.7%
Departmental Collections	1,400,000	1,273,555	(126,445)	-9.0%	21,394,750	24,665,138	3,270,388	15.3%
Wholesale Liquor Tax	378,000	390,669	12,669	3.4%	3,879,000	3,998,676	119,676	3.1%
Coal Conversion Tax	1,307,000	1,547,220	240,220	18.4%	15,551,000	16,211,362	660,362	4.2%
Mineral Leasing Fees	350,000	1,143,637	793,637	226.8%	1,960,000	3,002,954	1,042,954	53.2%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					523,575	523,575	-	0.0%
Other Transfers		1,174	1,174	100.0%	13,410,000	13,433,747	23,747	0.2%
Total	64,641,000	71,191,144	6,550,144	10.1%	529,065,325	542,066,918	13,001,593	2.5%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Total Revenues and Transfers	64,641,000	71,191,144	6,550,144	10.1%	529,065,325	592,066,918	63,001,593	11.9%

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2003-05 BIENNIUM
February 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	February 2002	February 2004	Variance	Percent	2001-03	2003-05	Variance	Percent
Sales Tax	25,760,100	28,787,426	3,027,326	11.8%	215,712,974	231,194,828	15,481,855	7.2%
Motor Vehicle Excise Tax	4,096,202	4,247,873	151,672	3.7%	41,197,124	41,375,806	178,681	0.4%
Individual Income Tax	13,678,022	18,550,789	4,872,766	35.6%	126,836,074	131,356,498	4,520,424	3.6%
Corporate Income Tax	2,373,578	3,577,748	1,204,170	50.7%	15,703,530	14,252,515	(1,451,016)	-9.2%
Insurance Premium Tax	2,132,118	5,390,397	3,258,278	152.8%	9,475,522	14,712,183	5,236,661	55.3%
Financial Institutions Tax	98,664	285,522	186,858	189.4%	483,434	(148,314)	(631,748)	-130.7%
Oil & Gas Production Tax	1,406,352	1,879,217	472,865	33.6%	12,307,492	15,706,107	3,398,614	27.6%
Gaming Tax	2,179,824	1,406,341	(773,483)	-35.5%	9,368,190	8,347,900	(1,020,291)	-10.9%
Interest Income	59,792	56,510	(3,282)	-5.5%	2,761,964	581,809	(2,180,155)	-78.9%
Oil Extraction Tax	574,073	866,473	292,400	50.9%	6,958,177	9,122,699	2,164,523	31.1%
Cigarette & Tobacco Tax	1,663,395	1,786,593	123,198	7.4%	13,815,082	13,729,435	(85,647)	-0.6%
Departmental Collections	1,412,127	1,273,556	(138,571)	-9.8%	20,627,760	24,665,138	4,037,378	19.6%
Wholesale Liquor Tax	430,323	390,669	(39,654)	-9.2%	3,713,197	3,998,676	285,480	7.7%
Coal Conversion Tax	2,048,938	1,547,220	(501,718)	-24.5%	15,526,661	16,211,362	684,701	4.4%
Mineral Leasing Fees	19	1,143,637	1,143,617	100.0%	1,456,220	3,002,954	1,546,734	106.2%
Bank of North Dakota-Transfer					15,000,000		(15,000,000)	-100.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					511,272	523,575	12,303	2.4%
Other Transfers	40	1,174	1,134	100.0%	68,280	13,433,747	13,365,467	100.0%
Total	57,913,568	71,191,144	13,277,576	22.9%	511,522,952	542,066,918	30,543,966	6.0%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Total Revenues and Transfers	57,913,568	71,191,144	13,277,576	22.9%	511,522,952	592,066,918	80,543,966	15.7%

Revenue Variances

Revenues for the month exceeded projections by over 10 percent. Biennium to date revenues exceed projections by over \$13 million, or 2.5 percent, excluding the impact of the \$50 million in federal fiscal relief payments received by the state.

Sales tax collections slipped below projections by \$1.2 million, but still exceed the biennium to date forecast by over \$8.1 million, or 3.6 percent. Once again, this is likely a timing issue relating to the month of February ending on a weekend.

Individual income tax collections exceeded monthly projections by \$3.3 million, bringing biennium to date collections slightly above forecast. However, the majority of individual filings will take place in March and April. It is too early in the filing process to determine if the March variance relates to timing or is indicative of increased collections.

Corporate income tax collections exceeded monthly projections by \$1.7 million. Biennium to date collections are still short of projections by 5.7 percent due to large refunds paid out earlier in the biennium.

Insurance premium tax collections had been fairly close to estimates for the biennium until February. February collections exceeded projections by over \$2.7 million, resulting in a \$2.9 million biennium to date variance. The additional collections are likely a timing issue resulting from firms filing prior to the March 1 deadline.

Comments or Questions???

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